

Message Text

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ACTION NODS-00

INFO OCT-01 ISO-00 /001 W

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FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 755

C O N F I D E N T I A L SECTION 1 OF 2 EC BRUSSELS 2609

NODIS

FOR ATTENTION INGERSOLL, DENT, SEIDMAN ONLY

E.O. 11652: GDS

TAGS: ETRD, EEC

SUBJECT: CONSULTATIONS WITH THE EC ON THE PRESIDENT'S DECISION
ON SPECIALTY STEEL

1. ON MARCH 15, AMBASSADOR YEUTTER, ACCOMPANIED BY AMBASSADOR HINTON, OUTLINED TO EC COMMISSIONER GUNDELACH AND DIRECTOR GENERAL FOR EXTERNAL RELATIONS HIJZEN, THE PRESIDENT'S DECISION ON THE SPECIALTY STEEL ESCAPE CLAUSE CASE. YEUTTER SAID THAT THE PRESIDENT WOULD NOT ACCEPT THE ITC FINDING, BUT WOULD SEEK THREE-YEAR ORDERLY MARKETING AGREEMENTS (OMA) TO BE WORKED OUT IN THE NEXT 90 DAYS. IF THEY COULD NOT BE WORKED OUT, THEN QUOTAS COMPARABLE TO THE ITC RECOMMENDATIONS WOULD GO INTO EFFECT ON JUNE 14 FOR THREE YEARS. AN OMA WOULD LIKELY BE MORE PALATABLE FOR OUR TRADING PARTNERS THAN THE ITC FINDINGS FOR THE FOLLOWING REASONS: (A) A PROVISIO WOULD BE ADDED THAT THE ORDERLY MARKETING AGREEMENTS WOULD BE SUBJECT TO REMOVAL IF THE ECONOMIC SITUATION IMPROVES (THIS WOULD REQUIRE THE ADVICE OF THE ITC, COMMERCE AND LABOR, BUT IT WOULD BE A PRESIDENTIAL DECISION WITH NO CONGRESSIONAL OVERRIDE; (B) AN OMA GIVES THE POSSIBLE OPTION OF HANDLING THE EC AS A UNIT; (C) AN OMA COULD PROVIDE MORE FLEXIBILITY IN THE SECOND AND THIRD YEARS; AND (D) IT COULD PROVIDE ADDITIONAL FLEXIBILITY TO PRODUCT CATEGORIES.

2. YEUTTER EXPLAINED THAT THE STEEL INDUSTRY AND THE STEEL
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UNIONS ARE WORKING TOGETHER ON THIS CASE SO THAT THERE IS A RISK

OF AN OVERRIDE EVEN WITH THE OMA ALTERNATIVE, WHICH IN THE JUDGMENT OF THE ADMINISTRATION IS THE MINIMUM NECESSARY TO AVOID AN OVERRIDE. IMPORTS HAVE NOT LEVELED OFF AND CONTINUED HIGH IN JANUARY. HE ACKNOWLEDGED THAT 90 DAYS WOULD NOT ALLOW MUCH TIME FOR NEGOTIATION. IF AT THE END OF 90 DAYS (THE PERIOD MIGHT HAVE TO BE SOMEWHAT SHORTER), PROGRESS SEEMED TO BE ASSURED, THE PRESIDENT COULD PUT QUOTAS INTO EFFECT, AND THEN REMOVE THEM UPON COMPLETION OF THE OMA. OUT INTENT, HOWEVER, IS TO NEGOTIATE THE OMAS WELL BEFORE THE 90-DAY DEADLINE IF AT ALL POSSIBLE.

3. GUNDELACH SAID HE WAS GRATIFIED FOR THE CONSULTATION IN ADVANCE OF THE ANNOUNCEMENT. HE DID NOT WISH TO GO OVER THE GROUND COVERED WITH AMBASSADOR DENT. THE COMMISSION BELIEVES THAT THE ARGUMENTS AGAINST AN ORDERLY MARKETING ARRANGEMENT STILL STAND. HE WAS PERSONALLY CONCERNED ABOUT A RIGID OMA FOR SO LONG A TIME PERIOD. HOWEVER, HE TOOK NOTE OF THE NEW ELEMENT OF REMOVING THE OMA SHOULD THE ECONOMIC SITUATION CHANGE. AS A NEGOTIATOR, HE WAS DISTRESSED ABOUT NEGOTIATING UNDER THE CONDITIONS OF QUOTAS BEING IMPOSED IN 90 DAYS. IT WOULD CERTAINLY BE AN UP-HILL BATTLE. HE SAID HE WOULD REPORT THE CONVERSATION TO THE COMMISSION AND DISCUSS IT WITH THE MEMBER STATES. HE WOULD NOT PREDICT THE REACTION. HE WAS PARTICULARLY CONCERNED ABOUT THE PRECEDENT AND THE OTHER CASES IN THE PIPELINE (SHOES). AFTER MONTHS OF CALMING DOWN THE TRADE SITUATION, THIS WOULD ADD A NEW UNSETTLING ELEMENT. HIS PERSONAL BELIEF WAS THAT THE REACTION WOULD PROBABLY BE NEGATIVE AND IN SOME CASES VIOLENT. HOWEVER, HE FELT THAT THE US IS ENTITLED TO MATURE JUDGMENT FROM THE EC IN THIS CASE. HE AND SOAMES WOULD NOT TRY TO DRAMATIZE THE ISSUE, BUT HE IS PERSONALLY WORRIED. DESPITE THE FACT THAT THE US TRIED TO GO AS FAR AS POSSIBLE TO TAKE ACCOUNT OF EC SENSITIVITY, HE DID NOT SEE ANY WAY OUT. HIJZEN ADDED THAT THE COMMISSION WOULD HAVE TO GO TO THE COUNCIL BEFORE THE COMMUNITY DECIDED WHAT THEIR RESPONSE SHOULD BE AND HE DID NOT KNOW WHAT THE COMMISSION WOULD DECIDE.

4. GUNDELACH SAID THAT HE COULD NOT QUESTION THE AMERICAN JUDGMENT THAT THIS WAS AS FAR AS THE ADMINISTRATION POLITICALLY COULD GO. HE DID NOT HAVE ANY AUTHORITY TO ENGAGE HIMSELF IN CONFIDENTIAL

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TRYING TO SUGGEST CHANGES IN THE AMERICAN ANNOUNCEMENT (WHICH HE EXAMINED). HE RECALLED THAT THE BASIC ADVICE DENT HAD GOTTEN FROM SOAMES ON AN ORDERLY MARKETING AGREEMENT WAS NEGATIVE. HE SUMMARIZED THAT (A) HE EXPECTED TROUBLE, (B) HE AND SOAMES WOULD NOT TRY TO MAKE ANYMORE TROUBLE THAN NECESSARY, AND (C) HE THANKED YEUTTER FOR THE CONSULTATIONS. HIS PERSONAL OPINION WAS THAT IF THE COMMUNITY DID TRY TO FIND SOME COMMON GROUND FOR TALKING WITH THE US, IT WOULD NOT BE

ON "THESE TERMS." GUNDELACH ADDED THAT IN ORDER TO KEEP THE
PRESIDENT'S DECISION SECRET, HE WOULD NOT INFORM THE COMMISSION
UNTIL WEDNESDAY.

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MRN: 1976EC BRU002609 SEGMENT NUMBER: 000002 ERROR READING TEXT INDEX
FILE; TELEGRAM TEXT FOR THIS SEGMENT IS UNAVAILABLE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: STEEL, TRADE AGREEMENTS, IMPORT QUOTAS, DIPLOMATIC DISCUSSIONS, IMPORT CONTROLS, CAT-B
Control Number: n/a
Copy: SINGLE
Draft Date: 15 MAR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ECBRU02609
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: P850108-2008
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760361/aaaacbsl.tel
Line Count: 122
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NODS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: NODIS
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: NODIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags: ANOMALY
Review Date: 31 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <31 MAR 2004 by MartinML>; APPROVED <01 APR 2004 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CONSULTATIONS WITH THE EC ON THE PRESIDENT'S DECISION ON SPECIALTY STEEL
TAGS: ETRD, US, XT, EEC, (YEUTTER), (HINTON), (HIJZEN, THEODORUS), (GUNDELACH, FINN)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006